Issues Working Group Feedback Session

SUMMARY NOTES

Wednesday, December 5, 2007

Attendees: Executive Staff, Paul Hackleman, Sandra Castellano

Mark Danaj kicked off the session with a review of the retiree healthcare liability issue which the organization is facing. He then introduced Paul Hackleman as one of 3 consultants working on the feedback process for potential solutions. Paul reviewed the background information that was distributed to the group prior to the meeting.

Paul then opened the floor for feedback as follows:

Question 4: What Kind of Information to Gather

Questions

- What does the paycheck retirement deduction pay for and what is the connection to costs?
- What have other organizations done?
- What is the retirement benefit? We need a detailed explanation of current structure.
- How is Medicare involved?
- What does actuarial say?
- What is the funding model i.e. "full" means what?

Process Suggestions

- Important to point out possible impact/changes to bond rating to employee i.e. how this will impact the organization and them
- Look at demographics to see when the pay-as-you-go model impacts employees and how much they pay i.e. baby boomers retirements will impact the ratio of employees to retirees as does retirees living longer
- Needs to be realistic. Need to include a timeline otherwise it's too daunting.
- Lots of cynicism about GASB as an accounting issue or business problem not an employee problem.
- Need more information about correlation of GASB and bond ratings and related impacts to the organization & employees.
- Will "fairness" be a concern for employees i.e. I've been contributing to retirement so I should get the benefit.

Ideas & Feedback

- Increase workers in lower risk jobs
- Provide tiered benefit plans

- Decisions might impact whether employees choose to stay with the organization i.e. they may choose to leave if they have 15 years and benefit will be changing.
- Issue that retirees cannot change their level of coverage after they retire so they choose family even if spouse is covered by another plan. (Mark pointed out that this won't impact costs as our rates are determined by usage not number of participants).
- Reduce usage through wellness efforts.
- Look at changing the single/family structure to add more tiers.

Information Provided by Paul, Mark, & Russ

- Many options including funding the liability; plan design changes; wellness/risk reduction efforts
- There's no "real" number for the liability and it will change every year as assumptions change. CSJ will update numbers every other year.
- Investment income from funding the liability is significant. Pension funds generated $750M (?) last year. Heath funds generated only $80M (?).
- Dynamic of "pig through a python" of baby boomer generation retiring without younger generation to support them.
- Problem that the period to earn the benefits is finite/15 years but payout period is not finite, can be 30 years+.
- Changing the benefit for new employees only will not have an immediate impact on liability.
- The general economy does not have a big impact on this. The actuarial analyst smoothes impacts out.
- Can't shift pension funds to cover health liability but may be able to change the percentage of retirement contribution which goes to pension vs health care to build up health care. This may require negotiation.
- Lots of commingling of retirement funds. Need to separate for better accounting practices.
- Trend is to lower funding of pension plans to 70-75%.
- Other benefit models look at setting up tax free accounts for medical expenses. This is more valuable for younger employees as they have time to grow the account.

Question 5: Other Jurisdictions

- Look at corporate world. They started dealing with this a while ago.
- Local industry. (feedback that this may be problematic because of 401K)